

Forensic Accounting under the Realm of Financial Crime – A Study

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ABSTRACT

This study was conducted under the title "Study of Forensic Accounting Under the Realm of Financial Crime" and the article tried to achieve some objectives. These objectives are: To study forensic accounting. To study the difference between forensic accounting and Traditional Accounting. To study the way forensic accounting helps to explain the nature of financial crime. This article is based on secondary data, which includes books, magazines, articles, websites, reports, etc. In this article, it is tried to introduce all the concepts related to forensic accounting. Some terms like forensic accounting, financial crime, objective of forensic accounting, and difference between traditional accounting is discussed. Forensic accounting is a term used to describe the type of interaction. This is the whole process of conducting forensic investigations, including preparing an expert report or witness statements and potentially acting as an expert witness in the legal process. Forensic accountant uses different techniques to analyses the accounting information and finding financial crimes. The forensic accountant tries to detect any errors by carefully studying the financial records and reviewing the accounting records.

KEYWORDS: Forensic Accounting, Financial Crime, Investigation, Court, Fraud, Embezzlement, Evidence

1. INTRODUCTION

Forensic accounting uses accounting tools to audit, investigate, and examine the accounts of individuals and companies. It investigates Financial manipulation and fraud by carefully analyzing financial information. In this type of accounting, accounts are looked at beyond the numbers. There are different types of forensic accounting that are classified based on the types of legal proceedings, which include securities fraud, bankruptcy, defaulting on debt, economic damages, tax or fraud, company appraisal disputes, claims of professional negligence, money laundering, privacy information, divorce proceedings, and etc.

Forensic accounting provides an appropriate analysis of accounts, which can be used in the court of law and becomes the basis for dispute resolution. Forensic accounting can perhaps be defined as the integration of an individual's accounting and auditing with research skills gained from years of scientific experience. In this type of accounting instruction, the attached terms, financial information, and any contract related to the agreement are reviewed and the result is presented to the court in the form of a report.

Forensic accountants work to document insurance claims, bankruptcy, divorce, embezzlement, fraud, skimming, and any type of financial theft. These people are usually employed in government agencies, accounting firms, insurance companies, police departments, and banks. They collect documents related to crimes to present to the court and appear in court as witnesses if necessary.

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The roles that these forensic accountants play are different because each company deals with money in different ways. Some accountants deal with broader scams, some specialize in more specific areas, such as insurance and general accounting, and some work as justice accountants.

The crimes that occur are not always clear and need to be solved and discovered, which requires research and investigation. These crimes can happen in any field and require their own research teams. The group of crimes that we have focused on in this study are financial crimes that require researchers who have financial skills.

Financial crimes are generally defined as crimes that cause damage to the properties of individuals or the economic system of society. These include financial crimes, property crimes, banking crimes, and economic crimes. Crimes against property are crimes that are intentionally (such as theft and fraud) or unintentional (such as loss of property) for the property of individuals. Financial crimes often have complex cases that require a team of experts in the field of economics to pursue. As a result, the need for forensic accountants is felt here.

To address this issue and introduce forensic accounting and how forensic accounting helps explain the nature of the crime, the researchers have decided to conduct a study entitled "Study of forensic accounting under the realm of financial crime".

2. Objectives

- To study forensic accounting.
- To study the difference between forensic accounting and Traditional Accounting.
- To study the way forensic accounting helps to explain the nature of a financial crime.

3. Materials and Methods

This article studied the design, validity, reliability of forensic accounting and tried to bring clarity toward objectives. This study is entirely based on secondary data collected from reliable sources and this study is descriptive in nature. The studies are usually done to clarify a particular subject, and this subject will have a special framework. In this article, the researchers have tried to express the concept of forensic accounting and how it helps to identify financial crimes. The study will define specific topics such as forensic accounting, financial crimes, and the difference between forensic accounting and Traditional Accounting.

4. Review of Literature

The review of literature is studied in three sections which section cleared one of the objectives of the article.

4.1. Some Concepts and Definitions

In order to better understand the discussion and clarify forensic accounting, some concepts have been defined, which are as follows.

4.1.1. Forensic Accounting

Forensic accounting is a term used to describe the type of interaction. This is the whole process of conducting forensic investigations, including preparing an expert report or witness statements and potentially acting as an expert witness in the legal process.

Forensic accounting is the use of specialized knowledge and special skills that can provide evidence of economic transactions. In addition to expertise in fraud detection techniques, a forensic accountant requires patience and analytical thinking. He must look beyond numbers and understand the essence of the situation. Basically, the work of accountants is smart.

4.1.2. Meaning of Forensic Accounting

Forensic accounting is a special field of accounting through which a forensic accountant investigates scams. Analyzes financial information that can be used in legal courts. Forensic accounting is a logical combination of accounting, auditing, and research skills to investigate financial fraud. This is useful for legal and analytical accounting.

4.1.3. Definitions of Forensic Accounting

Forensic accounting can be defined as helping to resolve disputes related to allegations or suspicions of fraud. This may include litigation, expert review and investigation by an appropriate authority, and investigations into suspected fraud, irregularities, or misconduct that could result in civil, criminal, or disciplinary action.

4.1.4. Objectives of Forensic Accounting

The main Objective of forensic accounting is to detect and prove a crime and present it to the court as evidence. Exploring the background of an individual or a company is a very difficult task that requires special forensic accounting skills and expertise. Forensic accounting is still very important for accountants, who are hired to ensure the company's financial records in accordance with the rules and regulations.

The objective of forensic accounting is to:

1. Prove financial crimes
2. Prevent financial crimes
3. Predict future crimes

4.1.5. Necessity for Forensic Accounting

There are many reasons of the necessity for forensic accounting, the most important of which are:

- People and companies are increasingly going to court to solve their problems.
- Commercial transactions are increasing and more complex.
- People and companies have more problems with the government.
- Employees involved in fraud are on the rise and it is becoming more difficult to identify and prevent them.
- Fraud in corporate financial tables has increased and this is causing harm to society.
- It is clear that the number of failed companies is increasing.
- Lawyers and courts need more support from experts in various areas of fraud.
- Cyber fraud and the need for experts to combat these cases have increased.

4.1.6. Financial Crime

The term financial crime, although universally used, does not yet have a universally accepted definition. The concept of financial crime has changed with the development of social contexts and technical advances in financial transactions. A financial crime is a crime that specifically occurs in the case of property. This type of crime is always in the interest of the offender and involves illegal change of property ownership. Financial crimes can take many forms in today's world, the most common of which are money laundering, terrorist financing, fraud, tax evasion, embezzlement, forgery, and etc.

4.2. Comparison of Forensic Accounting and Traditional Accounting

Traditional accounting is used to meet the financial needs and problems of an organization and deals with numbers and figures. The person working in this field should be fully acquainted with financial specialties. But forensic accounting is more than just numbers. In addition to financial expertise, the person working in this field must be fully acquainted with the law. There is difference between forensic accounting and traditional accounting.

Forensic Accounting and Traditional Accounting	
Forensic Accounting	Traditional Accounting
A forensic accountant is someone who is looking for these financial numbers and knows what is wrong	A traditional accountant is someone who examines the accuracy of mathematics in accounting
Investigative intuition may lead forensic accounting in the right direction to begin investigation. This is not something that can be learned, but something that can be gained through vast experiences	No investigative intuition is found in the field of traditional accounting and is not required
Forensic accounting is the examination of the accounts of companies and individuals to find violations	Traditional accounting is the process of auditing the work of others to determine whether they have followed the company's official documented policies, procedures
Forensic accounting focuses on detecting errors and fraud	Traditional accounting focuses on error detection and prevention
Forensic accountants use physical evidence, documentary evidence, and show evidence to help identify suspects and perpetrators	Traditional accountants use statistics to determine the likelihood of identifying or not identifying fundamental errors and the likelihood of them occurring
For forensic accounting, any kind of evidence can be used as information, whether it is a documentary, computer or audio film	Traditional accounting only uses numbers on accounting documents as evidence.
A forensic accountant is usually required to serve as an expert witness in a lawsuit or criminal case in court	Traditional accountants, because they have only accounting expertise, are only employed in accounting departments
Private auditors and accountants are specifically required to have an excellent forensic accountant	There is no such requirement in the traditional accounting environment

Table 1(Forensic Accounting and Traditional Accounting) (Lee, Elaine Ee, 2009)

4.3. Forensic Accounting Helps to Explain the Nature of Financial Crime

In this section the article cleared that how can forensic accounting help to Explain the nature of financial crimes.

4.3.1. Typical Approach to a Forensic Accounting assignment

Forensic accounting is done in different assignments and these forensic accounting assignments are unique. With these descriptions, the procedures performed and the actual approach adopted should have their own expert. The following is a general overview of Forensic Accounting assignments.

A. Meet with the Client

During an accounting investigation, a forensic accountant needs to consider meeting with a client to better understand important facts and uncover hidden secrets.

B. Perform a Conflict Check

To avoid any misrepresentation during the investigation, the investigation of the conflict should be carried out as soon as the relevant parties are established.

C. Perform an Initial Investigation

In order to better and more fully understand the issues and more detailed planning in order to better navigate in the future, it is necessary to Perform an initial investigation in forensic accounting.

D. Develop an Action Plan

After meet with the client and perform an initial investigation, this plan uses the knowledge gained from it to determine the achievement goals and methods used for the investigation.

E. Obtain the Relevant Evidence

Various cases after the investigation need evidence in order to have the power to prove the crime in court. Of course, these documents depend on the nature of the cases, which can include the location of documents, economic

information, assets, another person or company, or another specialist.

F. Perform the Analysis

After obtaining the documents, it is necessary to analyze the situation correctly, and doing this real analysis depends on the nature of the assignment. It may include calculating economic damages, summarizing a large number of transactions, tracking assets, and etc.

G. Prepare the Report

Finally, after all the steps, it is time to prepare the report. The order of this report includes the nature of the assignment, the scope of the research, the approach used, the limitations of scope and findings. The report includes programs and charts to support and understand the findings.

4.3.2. Forensic Accounting Investigation Techniques

The following are some of the techniques that a forensic accountant uses to detect crimes.

A. Identifying Anomalies

Forensic accounting uses appropriate techniques to identify irregularities that may be fraudulent. The forensic accountant uses these techniques to investigate anomalies and decide whether further action is needed.

B. Computer Assisted Reviews and Document Review

The terms Computer Assisted Review (CAR) and Technology Assisted Review usually have the same meaning and are more than just reviewing and encoding documents on a computer. In this technique, computer software is used as an essential tool to search and find relevant evidence in a large data environment.

C. Data Mining

This technique is designed to explore data and is similar to the actual process of extracting diamonds from a mine. An important forensic accountant doing the work in this area is extracting unwanted data from large quantities. Forensic accounting in the data mining process identifies patterns

that make decisions or judgments through the information obtained from these patterns.

D. Benford Law

Forensic accounting uses the Benford's Law technique in forensic accounting interactions. This law distributes the frequency of prime digits in many real-life numerical datasets. A forensic accountant can use Benford's Law to detect anomalies in data, whether it be clerical, accidental, or tampered with.

E. Ratio Analysis

A forensic accountant can detect fraud by differentiating these ratios from normal ratios. When unexplained changes in key ratios are observed, the forensic accountant should review them.

F. Data Matching

Data Matching is another technique that a forensic accountant can use. This technique takes records from several datasets that have no common identifier. And uses data matching techniques to identify duplicate records in a single business database. (Oyedokun, Godwin Emmanuel, 2016).

5. Findings

Forensic accounting can be defined as helping to resolve disputes related to allegations or suspicions of fraud. This may include litigation, expert review and investigation by an appropriate authority, and investigations into suspected fraud, irregularities, or misconduct that could result in civil, criminal, or disciplinary action.

Forensic accountant tries to prepare an accurate and documented report by submitting numbers by researching numbers and using special techniques of a forensic accountant. Forensic accountants are always needed to resolve legal and financial problems and disputes due to their special expertise in conducting forensic accounting research. A forensic accountant's view is different from that of an accountant because he sees more accounts than numbers. A forensic accountant needs to read all the relevant information to identify a financial liability.

By completing this research, the authors conclude that forensic accounting is very valuable and useful in detecting financial crimes, which is essential for all large companies to establish a forensic department. And there should be more training and skills in forensic accounting and more studies to be done to make the new term forensic accounting clearer. This article explores forensic accounting using financial crime accounting techniques and skills. In addition to detecting crime, it tries to come up with solutions to avoid financial crimes.

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